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**ARIZONA CORPORATION COMMISSION**

October 21, 2005

Re: Docket No. E-01933A-05-0560 (TEP's Motion to Amend Decision No. 62103)  
Docket No. E-01933A-04-0408 (TEP's Rate Case Review)

Dear Colleagues and Parties to the Docket:

After reviewing the filings on Tucson Electric Power's (TEP) Motion to Amend Decision No. 62103, I believe the public interest would be best served if the Commission commenced a process to resolve the outstanding issues arising from the 1999 TEP Settlement Agreement. While the 1999 Settlement Agreement brought a number of benefits to TEP and its customers, key questions regarding the future treatment of generation assets and the related effect on rates remain unclear.

According to TEP's interpretation of the 1999 Settlement Agreement, its generation service rates would become market-based after the current rate freeze expires on December 31, 2008. This phenomenon would presumably cause an increase to TEP's base rate for customers.

In addition, several other events have precipitated the need for the Commission to take action. These events include the Commission's Track A and Track B decisions, approval of the APS Rate Case Settlement and the Court of Appeals' decision in *Phelps Dodge Corp. v. Arizona Electric Power Cooperative*.

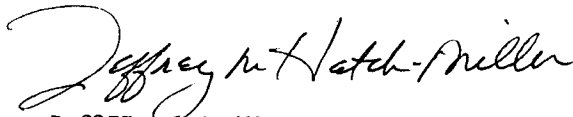
Under Arizona Revised Statutes § 40-252, the Commission may rescind, alter or amend a previous decision. In December 2001, Commissioner Mundell, who was then the Chairman, penned a letter asking that this process be established to revisit the Commission's Electric Competition Rules. He felt that the Commission had to take affirmative steps to avoid any potential hazards posed by electric deregulation.

Likewise, I believe we should reassess our order adopting the 1999 TEP Settlement Agreement and the company's interpretation of it before we are confronted with the possibility of deregulated rates. Therefore, I suggest that the affected parties in Decision No. 62103 – TEP, Commission Staff, RUCO, Arizona Community Action Association and Arizonans for Electric Choice and Competition – initiate a process as soon as possible to discuss the merits and drawbacks of TEP's proposal.

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As Commissioners, we should strive to ensure rate stability and predictability for customers. I hope my fellow Commissioners will support me in this endeavor.

Yours truly,

A handwritten signature in cursive script, reading "Jeff Hatch-Miller". The signature is written in dark ink and is positioned above the printed name and title.

Jeff Hatch-Miller  
Chairman

Cc: Lyn Farmer  
Chris Kempley  
Ernest Johnson  
Brian McNeil